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(proposed) Attorney for Debtor / Debtor in Possession

**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
SANTA ANA DIVISION**

In Re:

HEAVENLY COUTURE, INC.

Debtor(s) and  
Debtor(s)-in-Possession.

**Case No. 8:18-bk-11756-TA**

**Chapter 11**

**STATUS REPORT REGARDING  
CHAPTER 11 CASE**

DATE: 6/27/2018

Time: 10:00:00 AM

Ctrm: 5B, 5<sup>th</sup> Floor

Place: U.S. Bankruptcy Court

Ronald Reagan Federal Building

411 W Fourth Street

Santa Ana, CA 92701

**TO THE HONORABLE THEODOR C. ALBERT, UNITED STATES BANKRUPTCY  
JUDGE:**

A hearing on the status of the Chapter 11 case of Heavenly Couture, Inc. and , Debtor and Debtor-in-Possession (the “Debtors”), shall be held on 6/27/2018 at 10:00:00 AM in Courtroom 5B of the United States Bankruptcy Court located at 411 W. Fourth Street, Santa Ana, CA 92701. In

1 support thereof, the Debtor submits the following status report and other requested information  
2 relating to the Debtor's Chapter 11 case.

3 On 5/14/2018 (the "Petition Date"), the Debtor filed a voluntary petition under Chapter 11 of  
4 Title 11 of the United States Code. The Debtor is a retail clothing chain, currently located entirely in  
5 California. The Debtor continues as debtor-in-possession pursuant to Bankruptcy Code §§ 1107 and  
6 1108 of the Bankruptcy Code. This Court has scheduled this case management conference and has  
7 requested the Debtor to file this Status Report responding to the following requests for information:  
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9  
10 **A. Brief Description of the Debtor's business and operations, if any, and the principal assets and**  
11 **liabilities or each estate:**  
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13 The Debtor opened in 2006 as single retail location in Laguna Beach, California, selling women's  
14 clothing. The debtor had discovered that having a high foot traffic resulted in a retail model that worked  
15 well. Based on the success of that store, the Debtor determined that its retail concept was a viable theme  
16 and expanded into other retail locations. By 2016, the Debtor had grown into more than 30 retail  
17 locations, located in California, Texas, and Florida.  
18

19 In its expansion efforts, the Debtor located its retail locations in tourist areas and other locations  
20 with high amounts of foot traffic. The business model of the Debtor was such that the retail space  
21 commanded high rent, which ultimately became unsustainable for the Debtor. By Summer of 2017,  
22 approximately half of the Debtor's stores were operating at a negative cash flow, or barely breaking  
23 even. The profits from the cash-flow positive stores were drained to support the struggling locations.  
24

25 Over the past six months, store sales dropped dramatically. The Debtor attributes much of the loss  
26 in sales volume to a general industry wide shift in consumer shopping, preferences to online shopping as  
27 opposed in store retail shopping, and intense competition among remaining "traditional" retailers. Costs  
28

1 related to the Debtor's past expansion efforts, combined with the decreased sales, created serious  
2 liquidity problems, thus prompting the Debtor's Chapter 11 filing.

3 The Debtor believes that by shedding the retail locations that are cash-flow negative, and focusing  
4 on the stores that are thriving, an effective reorganization is possible that will benefit all the creditors.  
5 The Debtor anticipates a Chapter 11 Plan that will assume various leases, reject other leases, and  
6 consolidate its operation into only those locations that are profitable. The end result will be that creditors  
7 will be paid more than in a Chapter 7 liquidation, and the Debtor will continue to operate into the  
8 foreseeable future.  
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11 **B. Debtor's responses to questions posed by this Honorable Court:**

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13 **1. What precipitated the bankruptcy filing?**

14 The events leading to the Chapter 11 filing are detailed in the narrative above.  
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17 **2. What does the debtor hope to accomplish in this chapter 11 case?**

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19 The Debtor believes that a successful reorganization in this case will involve closing the  
20 retail store obligations that are not profitable, and focusing its efforts on continuing with the  
21 profitable locations. When only the profitable locations are remaining, the Debtor will be able to  
22 continue in operation and be able to pay its creditors more than they would receive in a Chapter  
23 7 liquidation.  
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**3. What are the principal disputes or problems likely to be encountered during the course of the debtor's reorganization efforts?**

a.) Restructure the Debtor's financial affairs and satisfy obligations to creditors, especially those debts related to potential wage and hourly claims. To address this, the Debtor intends to restructure its obligations, with consent of the lenders. All creditors of the Debtor will be paid in full. The Debtor anticipates fully embracing the "collaborative" nature of a Chapter 11 case to resolve things by agreement if at all possible.

b.) Assume and reject lease obligations, as appropriate, to return operations to a cash-flow positive basis as quickly as possible.

**4. How does the debtor recommend that these disputes be resolved and why?**

The proposed resolution of the major issues in the case is incorporated in the description of the issues, above.

**5. Is Debtor in compliance with all of its duties under 11 U.S.C. §§521, 1106, and 1107, and all applicable guidelines of the Office of the United States Trustee. If not, explain why.**

To the best of Debtor's counsel's knowledge, the debtor is in compliance with all of their duties under 11 U.S.C. §§521, 1106, and 1107, and all applicable guidelines of the Office of the United States Trustee. The complete "seven-day package" was submitted timely to the US Trustee within a few days of filing.

**6. Do any parties claim an interest in cash collateral of the debtor?**

There are no cash collateral issues in the case.

**B. Is the debtor using cash that any party claims as its cash collateral and, if so, on what date(s) did the debtor obtain an order authorizing the use of such cash or the consent of such party?**

There are no cash collateral issues in the case.

**C. The identity of all professional retained or to be retained by the estate, the dates on which applications for the employment of such professionals were filed or submitted to the United States Trustee, the dates on which orders were entered in response to such applications, if any, and a general description of the type of services to be rendered by each or the purpose of the employment.**

The firm of M Jones & Associates, PC, is acting as the general bankruptcy counsel for the Debtors. The firm's employment application will be filed contemporaneously with this Report.

**D. In operating cases, evidence regarding projected income and expenses for the first six months of the case.**

A projection of income and expenses are attached hereto as Exhibit A.

**E. Proposed deadlines for filing of claims and objections to claims.**

A motion to set a claims bar date will be filed in the case contemporaneously with this Status Report.

1           1.     The Debtor requests that the Court fix the bar date for filing claims for sixty (60)  
2           days from service of the Notice of Last Date to File Proofs or Claim (the "Claims Bar  
3           Date").

4  
5           2.     The exceptions to this deadline for filing proofs of claim are: (1) claims arising  
6           from rejection of executory contracts or unexpired leases, (2) claims of governmental  
7           units, and (3) claims arising as the result of transfer avoidance pursuant to Chapter 5  
8           of the Bankruptcy Code.

9  
10          3.     For claims arising from rejection of executory contracts or unexpired leases  
11          pursuant to 11 U.S.C. §365, the last day to file a proof of claim is (a) 30 days after the  
12          date of entry of the order authorizing the rejection, or (b) the Claims Bar Date,  
13          whichever is later.

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16          4.     For claims of "governmental units," as that term is defined in 11 U.S.C. §101(27),  
17          proofs of claim are timely filed if filed: (a) before 180 days after the date of the Order  
18          for Relief in this case, or (b) the Claims Bar Date, whichever is later. 11 U.S.C.  
19          §502(b)(9).

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21          5.     For claims arising from the avoidance of a transfer under Chapter 5 of the  
22          Bankruptcy Code, the last day to file a proof of claim is 30 days after the entry of  
23          judgment avoiding the transfer, or (b) the Claims Bar Date, whichever is later.

**F. Proposed deadlines for filing of a plan and disclosure statement.**

10/19/2018

**G. A discussion of any significant unexpired leases and executory contracts to which the debtor is a party and the debtor's intentions with regard to these leases and contracts.**

There are numerous unexpired leases and executory contracts involved in this case. A list of the leasehold interests is attached hereto. The Debtor will bring motions to assume the retained leases within a reasonable time, and certainly within 120 days.

**G. If the Debtor is an individual, advise the Court if the debtor proposes to combine the hearing on the Disclosure Statement with the with the confirmation of the Plan under 11 U.S.C. § 105(d)(2)(B)(vi).**

The Debtor proposes to conduct a separate hearing on the Disclosure Statement prior to solicitation of a vote on the Plan.

Dated this May 21, 2018,

M. Jones and Associates



Michael Jones  
(proposed) Counsel for Debtors and  
Debtors-in-Possession

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LEASES AND EXECUTORY CONTRACTS



LOCATION DESCRIPTION/Landlord Information	STREET ADDRESS	CITY	STATE	ZIP	SQUARE FEET
*ABBOT KINNEY	1358 ABBOT KINNEY BOULEVARD	VENICE	CA	90291	1,000
BALBOA ISLAND	304 MARINE AVENUE	NEWPORT BEACH	CA	92662	1,120
*BELMONT SHORE/NEW OFFICE:	5012 EAST 2ND STREET	LONG BEACH	CA	90803	3,000
BERKELEY	2315 TELEGRAPH AVENUE	BERKELEY	CA	94704	1876 GROUND FLOOR AND 500 SQFT MEZZANINE
BRENTWOOD	11724 BARRINGTON COURT	LOS ANGELES	CA	90049	876
*BURLINGAME	1217 BURLINGAME AVE	BURLINGAME	CA	94010	955
HUNTINGTON BEACH WAREHOUSE	5355 Production Drive	Huntington Beach	CA	92649	6,145
3001 ENTERPRISE STREET, BREA	3001 ENTERPRISE STREET	BREA	CA	92821	2710sf Ste 110, 4209sf Warehouse PLUS 2nd Ammendment
*DANVILLE	401 HARTZ AVENUE, SUITES A & D	DANVILLE	CA	94526	2043 SQ FT
KEY WEST 513 DUVAL	513 Duval	Key West	Floirda	33040	1,000
KEY WEST 330 DUVAL	330 Duval	Key West	Florida	33040	1,600

KEY WEST FRONT STREET	300 Front Street	Key West	Florida	33040	3,000
*GASLAMP DISTRICT	230 5TH STREET	SAN DIEGO	CA	92101	1,346
*HUNTINGTON BEACH	200 MAIN STREET, SUITE 113	HUNTINGTON BEACH	CA	92648	1,450
*LA JOLLA	10252 PROSPECT STREET, SUITE 150	LA JOLLA	CA	92037	1,750
*LAGUNA BEACH. MGMT COMPANY REALONOMICS. LANDLORD - VALLEJO FAMILY TRUST	252 FOREST AVENUE	LAGUNA BEACH	CA	92651	1,200 (APPROX)
LARCHMONT: LANDLORD IS AMERICAN COMMERCIAL EQUITIES	133 NORTH LARCHMONT BOULEVARD, LOS ANGELES	LOS ANGELES	CA	90004	2,886
Manhattan Beach *NEW LEASE*	221 MANHATTAN BEACH BOULEVARD	Manhattan Beach	CA	90266	1200
*MANHATTAN BEACH	221 MANHATTAN BEACH BOULEVARD	Manhattan Beach	CA	90266	1200
*NEWPORT BEACH	305 MAIN STREET	NEWPORT BEACH	CA	92661	920
*PALM SPRINGS: PLAZA MERCADO	155 SOUTH PALM CANYON DRIVE, SUITE B3	PALM SPRINGS	CA	92262	1,811
*PALM SPRINGS #2	120 N. PALM CANYON DRIVE	PALM SPRINGS	CA	92262	2,369
PASADENA	36 East Colorado	Pasadena	CA	91101	2,500

<b>PALM DESERT</b>	73-375 El Paseo Drive, Suite Q	Palm Desert	CA	92260	1,212
<b>*REDONDO BEACH</b>	1723 SOUTH CATALINA AVENUE	REDONDO BEACH	CA	90277	1,260
<b>*SAN CLEMENTE: RICK FRANKS AND MARGARET FRANKS</b>	128 AVENIDA DEL MAR	SAN CLEMENTE	CA	92672	2,600
<b>*SANTA BARBARA: 923 State Street; Landlords are John C Kinnear III and Barbara E. Kinnear, Trustees of the Kinnear Trust as 50% and James E. Davidson and Sheila K Davidson, Trustees</b>	923 STATE STREET	SANTA BARBARA	CA	93101	1,673
<b>*SANTA CRUZ</b>	1364 PACIFIC AVE	SANTA CRUZ	CA	95060	1,442
<b>*SEAL BEACH</b>	148 MAIN STREET, SUITE D	SEAL BEACH	CA	90740	999
<b>*SAN LUIS OBISPO</b>	770 HIGUERA	SAN LUIS OBISPO	CA	93401	2,276
<b>VENTURA</b>	379 EAST MAIN STREET	VENTURA	CA	93001	1,258
<b>WESTMINSTER</b>	2060 WESTMINSTER MALL	WESTMINSTER	CA	92683	2,222
<b>WESTWOOD</b>	1065 BROXTON AVENUE	LOS ANGELES	CA	90024	2,629

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PROJECTED CASH FLOW

	July 2018
<b>Ordinary Income/Expense</b>	
Income	
Sales Tax Collected	(77,275.46)
Merchandise Sales	873,386.88
<b>Total Income</b>	<b>796,111.41</b>
Cost of Goods Sold	305,685.41
Cost of Goods Sold	-
Credit Memo	-
Discount	-
Freight	-
<b>Total COGS</b>	<b>305,685.41</b>
<b>Gross Profit</b>	<b>490,426.00</b>
Expense	
Accounting Services	-
Alarm Services	1,184.70
Automobile Expense	3,921.23
Bank Service Charges	2,019.80
Brokerage Fees	-
Computer Expense	24.22
Dues and Subscriptions	821.78
Employee Benefit	-
Insurance-Business	2,000.00
Marketing	548.48
Meals and Entertainment	546.94
Merchant Service Fees	9,607.26
Music Subscription	519.92
Office Expense	-
Parking	521.00
Parking Ticket Violation Fees	-
Payroll Processing Fees	2,977.57
Payroll Taxes	11,066.59
Penalty	-
Permits and License Fees	2,457.86
Point of Sale Subscription	-
Postage and Delivery	3,005.55
Printing Expense	26.83
Professional Fees	-
Rent Expense	161,243.25
Rent Late Fee	-
Repairs and Maintenance	230.19
Salaries and Wages	175,046.51
Store Expense	89.14
Supplies	1,609.04
Taxes and Fees	559.54
Telephone and Internet Expense	3,846.45
Travel Expense	-
Utilities	4,452.35
<b>Total Expense</b>	<b>388,326.20</b>
<b>Net Ordinary Income</b>	<b>102,099.81</b>
<b>Other Income/Expense</b>	
Other Expense	
Finance Charge	-
Interest Expense	0.00
<b>Total Other Expense</b>	<b>0.00</b>
<b>Net Other Income</b>	<b>0.00</b>
<b>Net Income</b>	<b>102,099.81</b>

	<u>June 2018</u>
<b>Ordinary Income/Expense</b>	
Income	
Sales Tax Collected	(70,771.95)
Merchandise Sales	739,804.13
<b>Total Income</b>	<u>669,032.18</u>
Cost of Goods Sold	234,161.26
Cost of Goods Sold	0.00
Credit Memo	0.00
Discount	0.00
Freight	0.00
<b>Total COGS</b>	<u>234,161.26</u>
<b>Gross Profit</b>	434,870.91
Expense	
Accounting Services	0.00
Alarm Services	0.00
Automobile Expense	2,069.12
Bank Service Charges	2,089.95
Brokerage Fees	0.00
Computer Expense	155.56
Depreciation Expense	0.00
Dues and Subscriptions	1,643.32
Employee Benefit	0.00
Insurance-Business	2,000.00
Marketing	959.72
Meals and Entertainment	368.12
Merchant Service Fees	12,882.38
Music Subscription	511.84
Office Expense	0.00
Outside Services	100.00
Parking	285.00
Parking Ticket Violation Fees	0.00
Payroll Processing Fees	3,000.00
Payroll Taxes	8,137.85
Penalty	0.00
Permits and License Fees	348.43
Postage and Delivery	3,006.76
Printing Expense	205.25
Professional Fees	500.00
Rent Expense	161,140.54
Rent Late Fee	254.93
Repairs and Maintenance	3,482.55
Salaries and Wages	166,470.19
Store Expense	0.00
Supplies	1,500.00
Telephone and Internet Expense	5,398.49
Travel Expense	129.14
Utilities	9,269.91
<b>Total Expense</b>	<u>385,909.05</u>
<b>Net Ordinary Income</b>	48,961.87
<b>Other Income/Expense</b>	
Other Income	
Rewards & Other Credits CC	0.69
<b>Total Other Income</b>	0.69
Other Expense	
Interest Expense	0.00
Other Loss	0.00
<b>Total Other Expense</b>	<u>0.00</u>
<b>Net Other Income</b>	0.69
<b>Net Income</b>	<u><u>48,962.56</u></u>

**May 2018**

**Ordinary Income/Expense**

**Income**

Sales Tax Collected	(70,365.92)
Merchandise Sales	689,394.49
Total Income	619,028.57
Cost of Goods Sold	216,660.00
Discount	-
Freight	-
Total COGS	216,660.00

Gross Profit 402,368.57

**Expense**

Alarm Services	-
Automobile Expense	2,616.28
Bank Service Charges	2,135.35
Computer Expense	-
Dues and Subscriptions	1,653.10
Employee Benefit	-
Insurance-Business	3,000.00
Marketing	1,454.27
Meals and Entertainment	345.99
Merchant Service Fees	7,583.34
Music Subscription	543.66
Office Expense	-
Parking	381.00
Payroll Processing Fees	3,044.08
Payroll Taxes	17,414.83
Penalty	-
Permits and License Fees	41.00
Point of Sale Subscription	549.10
Postage and Delivery	3,000.00
Printing Expense	26.83
Professional Fees	-
Rent Expense	5,000.00
Rent Late Fee	1,152.73
Repairs and Maintenance	-
Salaries and Wages	226,029.28
Store Expense	-
Supplies	500.00
Telephone and Internet Expense	3,446.62
Travel Expense	171.55
Utilities	4,731.99

Total Expense 284,821.00

Net Ordinary Income 117,547.57

**Other Income/Expense**

**Other Income**

Rewards & Other Credits CC	-
Total Other Income	0.00

**Other Expense**

Finance Charge	500.00
Interest Expense	-

Total Other Expense 500.00

Net Other Income (500.00)

Net Income 117,047.57

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
M. Jones and Associates, 505 N Tustin Ave, Ste 105, Santa Ana, CA 92705

A true and correct copy of the foregoing document entitled (*specify*): **Initial Status Report** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) 21 May 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (*date*) 21 May 2018 I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) 21 May 2018, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Hon. Theodor Albert, by chambers drop box per local rules.


☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

21 May 2018 Michael Jones

*Date*

*Printed Name*

  
*Signature*



ECF Mailing List

- **Michael J Hauser** michael.hauser@usdoj.gov
- **Michael Jones** mike@mjthelawyer.com, 2651971420@filings.docketbird.com
- **Sara Tidd** sara@mjonessandassociates.com, michaeljonesmyecfmail@gmail.com
- **United States Trustee (SA)** ustpreion16.sa.ecf@usdoj.gov

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c/o The Cohen's Organization  
Miami, FL 33127

American Express  
World Financial Center  
200 Vesey Street  
New York, NY 10285

American Express  
World Financial Center  
200 Vesey Street  
New York, NY 10285

California State Board of Equilization  
P.O. Box 942879  
Sacramento, CA 94279-0001

Citibank  
701 E. 60th Street N  
Sioux Falls, SD 57104

Colonial Suites, Inc.  
45 NW 21st  
Miami, FL 33127

Corner 123  
1436 S. Main St. #7  
Los Angeles, CA 90015

G & S Off Price, Inc.  
1424 S. Main Street  
Los Angeles, CA 90015

Green Banker LLC  
398 Primrose Rd  
Burlingame, CA 94010

International Delivery Solutions LL  
PO Box 420  
Oak Creek, WI 53154

Jackson Lewis LLP  
58 South Service Road, Suite 250  
Melville, NY 11747

Kersh  
107-8855 Laurel Street  
Vancouver, BC Canada, V6P 3V9

Millibon  
777 E. 10th Street #110  
Los Angeles, CA 90021

One Way Fashion Inc.  
1506 S. Main St.  
Los Angeles, CA 90015

RGSF Granada Building, LLC  
150 Post Street, Ste 320  
San Francisco, CA 94108

SOB  
1504 South Main Street  
Los Angeles, CA 90015